INTERIM REPORT 2018

YONGAN HOLDINGS

浙江永安融通控股股份有限公司

ZHEJIANG YONGAN RONGTONG HOLDINGS CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8211

**For identification purpose only*

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This document, for which the directors of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.) (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*

HIGHLIGHTS

For the six months ended 30 June 2018,

- Revenue of the Group decreased from approximately RMB80.45 million to approximately RMB69.23 million, representing a drop of approximately 13.95% when compared to the corresponding period in 2017;
- Net loss for the six months ended 30 June 2018 was approximately RMB2.05 million; and
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

The board of directors (the "Board" or the "Directors") of 浙江永安融通控股股份有限公司 (Zhejiang Yongan Rongtong Holdings Co., Ltd.*) (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiary (collectively the "Group") for the six months ended 30 June 2018 together with the comparative results for the corresponding period in 2017 as follows:

		Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	3	**42,066**	52,357	**69,232**	80,451
Cost of sales		**(35,954)**	(46,462)	**(60,442)**	(72,548)
Gross profit		**6,112**	5,895	**8,790**	7,903
Other income and gains	3	**432**	800	**680**	923
Selling and distribution costs		**(1,244)**	(1,530)	**(1,648)**	(1,933)
Administrative expenses		**(3,505)**	(2,675)	**(6,250)**	(4,121)
Finance costs	5	**(1,603)**	(1,572)	**(3,206)**	(1,888)
(Loss) profit before taxation		**192**	918	**(1,634)**	884
Income tax expenses	6	**(177)**	(258)	**(420)**	(258)
(Loss) profit for the period	7	**15**	660	**(2,054)**	626
Other comprehensive expenses for the period, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Adjustment on gain on revaluation of properties		**—**	—	**(800)**	—
Total comprehensive expenses for the period		**15**	660	**(2,854)**	626
		RMB	*RMB*	***RMB***	*RMB*
(Loss) profit per share — basic and diluted	9	**0.001 cents**	0.06 cents	**(0.19) cents**	0.06 cents

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**As at 30 June 2018** ***RMB'000*** ***(Unaudited)***	As at 31 December 2017 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**98,883**	102,940
Prepaid lease payments		**6,174**	6,268
Goodwill		**1,230**	1,230
Available-for-sale investments		**73,807**	73,807
		180,094	184,245
CURRENT ASSETS			
Inventories		**32,170**	27,843
Trade and other receivables	11	**49,469**	37,713
Prepaid lease payments		**188**	188
Amount due from ultimate holding company	12	**6**	71
Bank balances and cash		**119,241**	136,451
		201,074	202,266
CURRENT LIABILITIES			
Trade and other payables	13	**38,051**	41,152
Tax payables		**177**	8
Amount due to a fellow subsidiary	14	**1,669**	4,432
Amount due to immediate holding company	15	**6,426**	6,426
		46,323	52,018
NET CURRENT ASSETS		**154,751**	150,248
TOTAL ASSETS LESS CURRENT LIABILITIES		**334,845**	334,493
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**11,085**	11,085
Amount due to ultimate holding company	15	**29,743**	26,537
NET ASSETS		**294,017**	296,871
CAPITAL AND RESERVES			
Share capital		**106,350**	106,350
Reserves		**187,667**	190,521
		294,017	296,871

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Net cash used in operating activities	**(17,371)**	(9,474)
Net cash from (used in) in investing activities	**43**	(3,814)
Net cash from financing activities	**118**	—
Net decrease in cash and cash equivalents	**(17,210)**	(13,288)
Cash and cash equivalents at beginning of the period	**136,451**	203,551
Cash and cash equivalents at end of the period, representing bank balances and cash	**119,241**	190,263

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-up capital	Share premium	Other reserve	Assets revaluation reserve	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note a)		*(Note b)*	*(Note c)*	
Balance at 1 January 2017	106,350	69,637	343,903	34,550	12,496	(257,932)	309,004
Total comprehensive income for the period	—	—	—	—	—	626	626
Balance at 30 June 2017	106,350	69,637	343,903	34,550	12,496	(257,306)	309,630
Balance at 1 January 2018	106,350	69,637	331,664	36,865	12,496	(260,141)	296,871
Loss for the period	—	—	—	—	—	(2,054)	(2,054)
Adjustment for gain on revaluation of properties, net of tax	—	—	—	(800)	—	—	(800)
Other comprehensive expenses for the period	—	—	—	(800)	—	—	(800)
Total comprehensive expenses for the period	—	—	—	(800)	—	(2,054)	(2,854)
Balance at 30 June 2018	106,350	69,637	331,664	36,065	12,496	(262,195)	294,017

Notes:

(a) Other reserve represents the dividends waived by the holders of domestic shares, net of tax effect and the deemed contribution arising from the discounting of the non-current interest-free loan from ultimate holding company and immediate holding company of the Company. If an entity revises its estimates of payments, the entity shall adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate.

(b) As stipulated by the regulations in the People's Republic of China (the "PRC"), the Company is required to appropriate 10% of its after-tax profit (after offsetting prior years losses) to general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

(c) Profit appropriation is subject to the approval of the board of directors. In accordance with the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the generally accepted accounting principles in the PRC and the amount determined under Hong Kong Financial Reporting Standards, At 30 June 2018 and 2017, no reserves were available for distribution due to accumulated losses being noted.

Notes:

1. BASIS OF PREPARATION

The Company is a joint stock limited company established in the PRC and the H Shares of the Company are listed on the GEM of the Stock Exchange.

The principal activities of the Group are (i) the manufacture, and sale of woven fabrics; (ii) the provision of subcontracting services; and (iii) the management of private equity assets.

In the opinion of the Directors, the immediate parent of the Company is 貴州永安金融控股股份有限公司 (Guizhou Yongan Finance Holdings Company Ltd.*) ("Guizhou Yongan"), an enterprise established in the PRC, and the ultimate holding parent and ultimate controlling party of the Company is 浙江永利實業集團有限公司 (Zhejiang Yongli Industry Group Co., Ltd*) ("Zhejiang Yongli"), which is established in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Group.

The Group has prepared the condensed consolidated financial statements in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

The principal accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2017. The unaudited consolidated results of the Group are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by HKICPA and the disclosure requirements of the GEM Listing Rules.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with the new and revised HKFRSs ("new and revised HKFRSs") issued by the HKICPA.

The Company has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]
Amendments to HKFRSs 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRSs 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that except as described in note 2 to the financial statement of the Group for the year ended 31 December 2017 in respect of application of HKFRS 16 Leases which will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16, application of the other new and revised HKFRSs will have no materials impact on the results and the financial position of the Group.

The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's consolidated results but certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

3. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net amounts received and receivable for goods sold and services rendered by the Group to outside customers, net of discounts and sales related taxes. An analysis of the Group's revenue and other income and gains for the period are as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue				
Sales of woven fabrics	**39,317**	51,675	**64,725**	78,686
Subcontracting fee income	**2,705**	682	**4,448**	1,765
Private equity asset management fee	**44**	—	**59**	—
	42,066	52,357	**69,232**	80,451
Other income and gains				
Investment income	**(25)**	86	**5**	86
Bank interest income	**41**	431	**95**	492
Consulting services income	**103**	—	**103**	—
Exchange difference	**—**	264	**—**	264
Government subsidy *(note)*	**20**	—	**53**	—
Gain on disposal of plant and machinery	**—**	11	**13**	73
Sundry income	**146**	—	**147**	—
Sales of scrap materials	**147**	8	**264**	8
	432	800	**680**	923

Note:

Government subsidies of RMB53,000 (2017: Nil) was awarded to the Group during the period ended 30 June 2018 for encouraging the usage of the higher productivity machinery and the participation in exhibitions. There is no unfulfilled condition or contingencies relating to these subsidies.

4. SEGMENTAL INFORMATION

Information reported to the Board of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods sold or services delivered or provided.

Specifically, the Group's reportable segments and operating segments are as follows:

Woven fabric	—	Manufacture and sale of woven fabrics
Subcontracting services	—	Provision of subcontracting services
Private equity asset management	—	Private equity asset management services

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	For the six months ended 30 June							
	Woven fabric		Subcontracting services		Private equity asset management		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue	**64,725**	78,686	**4,448**	1,765	**59**	—	**69,232**	80,451
Segment profit	**1,695**	2,291	**732**	118	**(513)**	—	**1,914**	2,409
Unallocated corporate income							**416**	915
Unallocated corporate expenses							**(758)**	(552)
Finance costs							**(3,206)**	(1,888)
(Loss) profit before taxation							**(1,634)**	884

The accounting policies of the operating segments are the same as the Group's accounting policies described in the annual financial statements of the Group for the year ended 31 December 2017. Segment profit represents the profit earned by each segment without allocation of investment income, bank interest income, consulting services income, exchange difference, government subsidy, gain on disposal of plant and machinery, sundry income, central administration costs and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and performance assessment.

(b) Geographical information

Information about the Group's revenue from continuing operation from external customers is presented based on the location of the operation. Segment information about these geographical markets are as follows:

Revenue from external customers:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
The PRC (country of domicile)	**60,736**	67,002
Europe	**5,797**	7,750
South America	**2,231**	5,128
Other overseas	**468**	571
	69,232	80,451

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Imputed interest on interest-free loan due to immediate holding company	**1,603**	1,572	**3,206**	1,888

6. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC Enterprise Income Tax				
— Current taxation	**177**	258	**177**	258
— Prior year under-provided	**—**	—	**243**	—
	177	258	**420**	258

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Company is 25% for both periods.

7. (LOSS) PROFIT FOR THE PERIOD

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(Loss) profit for the period has been arrived at after charging:				
Depreciation and amortisation	**1,752**	1,697	**3,416**	3,539

8. DIVIDEND PAID

The Directors do not recommend the payment of an interim dividend for the three and six months ended 30 June 2018 and 2017.

9. (LOSS) PROFIT PER SHARE

The calculation of the basic (loss) profit per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(Loss) profit for the purpose of calculating basic (loss) profit per share	**15**	660	**(2,054)**	626
Number of shares for the purpose of basic (loss) profit per share *(Note)*	**1,063,500,000**	1,063,500,000	**1,063,500,000**	1,063,500,000
Weighted average number shares for the purpose of calculating (loss) profit per share	**1,063,500,000**	1,063,500,000	**1,063,500,000**	1,063,500,000

Note:

No diluted (loss) profit per share have been presented for the three months and six months ended 30 June 2018 and 2017, as there was no diluting events existed during these periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period for the six months ended 30 June 2018, the Group spent approximately RMB12,000 (31 December 2017: approximately RMB909,000) for additions of furniture, fixtures and equipment and approximately RMB53,000 for additional of motor vehicles (31 December 2017: Nil).

11. TRADE AND OTHER RECEIVABLES

The Company allows an average credit period of 60 to 180 days to its trade customers. The aged analysis of trade receivables, net of allowance for impairment of trade receivables and presented base on invoice date which approximates the respective recognition dates, at the end of the reporting period is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
0-60 days	**33,571**	29,685
61-90 days	**451**	2,346
91-120 days	**—**	1,155
121-365 days	**3,397**	2,427
Over 365 days	**337**	447
	37,756	36,060
Other receivables		
Prepayments to suppliers	**11,461**	227
Other prepayments	**—**	756
Other receivables	**252**	670
	11,713	1,653
Total trade and other receivables	**49,469**	37,713

12. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

13. TRADE AND OTHER PAYABLES

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade payables	**22,128**	26,283
Receipt in advance	**6,098**	4,927
Other tax payables	**4,478**	1,581
Accrued expenses and other payables	**5,347**	8,361
	38,051	41,152

(i) The Group normally receives credit periods from suppliers ranging from 30 days to 90 days.

(ii) An aged analysis of the trade payables at the end of the reporting periods based on invoice date is as follows:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
0-60 days	**13,386**	15,401
61-90 days	**2,178**	2,759
91-365 days	**529**	2,586
Over 365 days	**6,035**	5,537
	22,128	26,283

14. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount due to a fellow subsidiary is unsecured, non-interest bearing and repayable on demand.

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
浙江永利熱電有限公司 (Zhejiang Yongli Thermal Electricity Company Limited*) ("Zhejiang Yongli Thermal Electricity")	**1,669**	4,432

During the period ended 30 June 2018 and the year ended 31 December 2017, Zhejiang Yongli Thermal Electricity was a subsidiary of Zhejiang Yongli, the ultimate holding company of the Group.

15. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Analysed for reporting purposes as:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Current liability	**6,426**	6,426
Non-current liability	**29,743**	26,537
Total	**36,169**	32,963

On 23 December 2016, Zhejiang Yongli entered into an agreement of assignment of debt with Guizhou Yongan ("Assignment of Debt Agreement"), pursuant to which, the debt of approximately RMB239,677,000 owed by the Company to Zhejiang Yongli was assigned to Guizhou Yongan and Guizhou Yongan committed to continue the obligations and commitments under the original debt agreement that was entered into between the Company and Zhejiang Yongli on 13 September 2011.

Referring to the principal advances of approximately RMB239,677,000 in relation to the Assignment of Debt Agreement entered into on 23 December 2016 between Zhejiang Yongli and Guizhou Yongan, it had been initially reduced to its present value of approximately RMB20,724,000 based on the managements' estimates of future cash payments with a corresponding adjustment of approximately RMB218,953,000 which was deemed as a contribution from the immediate holding company during the year ended 31 December 2016. The effective interest rate adopted for measurement at fair value at initial recognition of the advances from immediate holding company for the year was determined with reference to the prevailing market rates of interest for similar instruments with similar credit ratings and with reference to the timing and repayment based on the cash flow of the Company in the year ended 31 December 2016.

Imputed interest on these advances had been computed at an original effective interest rate of 18.22%. The amount is unsecured, interest-free and repayable of an amount which does not exceed 50% of operating cash flow of the year on an annual basis until the full repayment of the debt.

During the year ended 31 December 2017, the Group partially repaid the principal of the interest-free loans of RMB3,776,000. The principal amount outstanding as at 31 December 2017 was RMB235,901,000.

As at 31 December 2017, the directors of the Company expected to repay RMB6,426,000 of the carrying amount of the amount due to immediate holding company in the next twelve months based on the cash flow forecasts and the estimation on operating cash flows.

The movement during the current and prior reporting periods are set out as follows:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
At the beginning of the period	**32,963**	20,734
Adjustment of deemed capital contribution arising from changes in cash flow estimates on amounts due to immediate holding company	**—**	12,239
Imputed interest charges during the period *(note 5)*	**3,206**	3,776
Repayment during the period	**—**	(3,776)
At the end of the period	**36,169**	32,963

16. CONNECTED AND RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in this document, the Group had the following related party transactions and continuing connected party transaction during the periods:

(a) The balances with a fellow subsidiary and immediate holding company are set out in Notes 12, 14 and 15 respectively.

(b) During the period for the six months ended 30 June 2018, the Group had paid approximately RMB7,764,000 (2017: Nil) to Zhejiang Yongli for electricity charges paid by Zhejiang Yongli on behalf of the Group.

The aforesaid payments were made on behalf of the Group based on the actual costs incurred and were in the ordinary course of business of the Group.

(c) During the six months ended 30 June 2018, the Group had paid approximately RMB35,000 (2017: approximately RMB8,000) to Zhejiang Yongli Printing & Dyeing for providing dyeing services to the Group.

The aforesaid transactions were in the ordinary course of business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2018, the Group recorded a revenue of approximately RMB69.23 million, represents a drop of approximately 13.95% when compared with the same period in 2017. It was mainly due to dropping of revenue from both domestic sales and export sales of woven fabrics. Gross profit increased by approximately RMB887,000 mainly resulted from rising of average selling price during the six months ended 30 June 2018 when compared with the same period in 2017. The selling and distributed costs for the six months ended 30 June 2018 decreased by approximately 14.74% was in line with the dropping of export. Administrative expenses increased significantly by approximately RMB2.13 million or 51.66% during the six months ended 30 June 2018. It was mainly due to research and development expense and staff retirement funds increased as additional qualify staff were engaged under the research and development department for further enhancing new product development. The consolidation of administrative expenses of a subsidiary which was acquired by the Company in April 2017 also led to the increase of administrative expenses during the six months ended 30 June 2018 when compared with that in 2017. Other revenue dropped by approximately 26.33% mainly due to decrease of bank interest income during the six months ended 30 June 2018. Finance cost of approximately RMB3.21 million for the six months ended 30 June 2018 represents imputed interest in interest-free loan due to immediate holding company. The respective (loss) profit per share for the six months ended 30 June 2018 and 2017 were approximately RMB(0.19) cents and RMB0.06 cents respectively.

Business and operation review

During the six months ended 30 June 2018, export sales to overseas market dropped by approximately 36.82% and domestic sales of woven fabrics also dropped by approximately 9.35%. The decrease of export sales during the six months ended 30 June 2018 mainly due to (i) the volatility of RMB exchange rate was widen which led to more cautious to accept medium to long-term orders and (ii) the increasing trade tension between China and the U.S., the Group intended to increase sales to the domestic market. The Group will balance the existing policies in developing both domestic and overseas market so as to minimise the market risk of the Group.

貴州安恒永晟投資管理有限公司 (Guizhou Anheng Yongcheng Investment Management Co., Ltd.*) ("Guizhou Anheng"), a wholly owned subsidiary of the Company is principally engaged in private equity assets management. During the six months ended 30 June 2018, approximately RMB59,000 of assets management fee income and approximately RMB103,000 of consulting services income were contributed by Guizhou Anheng. Guizhou Anheng was actively in exploring potential investment opportunities and finding potential projects for asset management so as to enhance the return of the shareholder of the Company and diversify the investment risk of the Group.

In September 2017, the Company as a limited partner made an investment with an interest of approximately 24.64% for establishment of 深圳南山金融科技雙創股權投資基金合夥企業(有限合夥)(Shenzhen Nanshan Fintech Entrepreneurship and Innovation Equity Investment Fund Partnership Enterprise (Limited Liability Partnership)*) ("Nanshan Fintech"), a limited partnership fund established in the PRC. Nanshan Fintech is expected to invest in financial technology sector, including block chain, big data, artificial intelligence, and cloud computing. During the six months ended 30 June 2018, Nanshan Fintech was also actively in finding potential projects for investment and for asset management.

In order to diversify the business risk and enhance the return of capital investment of the shareholders of the Company, on 25 June 2018, the Company established 深圳永安慧聚水務科技有限公司(Shenzhen Yongan Huiju Water Technology Co., Ltd.*) ("Shenzhen Yongan Huiju") with RMB20,000,000 registered capital, a wholly owned subsidiary in the PRC for engaging in the principal activities of hydraulic engineering. In view of the problem of water pollution that caused the impact to the quality of water, the increase of urbanization led to the requirement of systematic water supply, the quality of drainage system led to waste of water etc., the Directors expected that it is a business opportunities to solve these problems through using the online monitoring equipment such as data acquisition instrument, wireless network, water quality and water pressure gauge to instantly sense the operation status of the urban water supply and drainage system, and visually integrates the water management department and the water supply and drainage facilities to form "urban water affairs". The networking can also be used for analysing and processing massive water information in a timely manner, and make corresponding processing results to assist decision-making suggestions, to manage the entire production, management and service processes of the water system in a more precise and dynamic way, thus achieving "wisdom" status. As at the date of this document, the Company has not injected capital to Shenzhen Yongan Huiju.

Product research and development

During the six months ended 30 June 2018, the Group continued to innovate and develop new product so as to meet the customers' need and enhance sales orders from customers.

Sales and marketing

During the six months ended 30 June 2018, the Group actively participated in various trade fairs held in PRC and overseas so as to gain exposure in the fabrics market and to popularise the Group's new products.

OUTLOOK

In view of the increasing trade tension between China and the U.S., during these few months, the Directors still not certain if it is likely to become a trade war at the current moment. Currently, the Group's textile product are mainly exported Europe, Asia and America other that the U.S. The Directors expect that the trade tension between China and U.S. may not heavily affect the export business of the Group at this moment. The Directors is reviewing the impact of possible trade war on the textile industry and the export of the Group. The Group will continue its existing policies in developing local and overseas markets and focus on its major businesses (i) manufacture and sale of woven fabrics; and (ii) provision of subcontracting services.

The Directors are also actively exploring investment opportunities to enhance the Group's long-term growth. In the meantime, Guizhou Anheng will be served as a platform of the Group for developing of asset management business and the Group will make full use of various new policies from the relevant government authorities in order to seize the opportunities and gradually expand Guizhou Anheng's business including the equity funds, securities investment funds and industrial funds. In addition, Shenzhen Yongan Huiju will serve as a platform for the Group to develop its water hydraulic engineering business. Hence, the Group will strengthen its interaction and cooperations with professional institutions and research teams to explore and expand the smart water business. Under the leadership of the management team, the Board believes that the Group is able to meet the upcoming challenges in 2018 and therefore generate returns for its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During six months ended 30 June 2018, the Group financed its operations mainly by internally generated cash and financial support from Guizhou Yongan, the immediate holding company of the Company.

As at 30 June 2018, the Group's current assets and net current assets were approximately RMB201.07 million (31 December 2017: approximately RMB202.27 million) and approximately RMB154.75 million (31 December 2017: approximately RMB150.25 million) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was approximately 4.34 (31 December 2017: 3.89).

CAPITAL COMMITMENTS AND SIGNIFICANT INVESTMENTS

On 8 June 2018, the Company and a Seller entered into a purchase contract for purchase of 80 sets of rapier weaving machine (for use by the Group in the manufacturing of woven fabrics) at a total consideration of ECU4,108,000 (equivalent to approximately RMB31,014,000 and approximately HK$38,017,000). Details of which were disclosed in the announcement of the Company dated 8 June 2018. Saved for the above mentioned transaction on 8 June 2018, the Group had no commitments (31 December 2017: Nil) for capital expenditure and significant investments held (31 December 2017: Nil).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities (31 December 2017: Nil).

CHARGES ON GROUP ASSETS

As at 30 June 2018, the Group has no charges on Group assets (31 December 2017: Nil).

MATERIAL ACQUISITIONS/DISPOSALS

On 8 June 2018, the Company and a Seller entered into a purchase contract for purchase of 80 sets of rapier weaving machine (for use by the Group in the manufacturing of woven fabrics) at a total consideration of ECU4,108,000 (equivalent to approximately RMB31,014,000 and approximately HK$38,017,000). Details of which were disclosed in the announcement of the Company dated 8 June 2018. Saved for the above mentioned transaction on 8 June 2018, the Group did not have any material acquisitions/disposals.

SEGMENTAL INFORMATION

Segmental information of the Group is set out in note 4.

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2018, the Company had 398 employees (31 December 2017: 374), comprising 7 (31 December 2017: 10) in research and development, 9 (31 December 2017: 9) in sales and marketing, 326 (31 December 2017:302) in production, 40 (31 December 2017: 37) in quality control, 5 (31 December 2017: 5) in management, and 11 (31 December 2017: 11) in finance and administration. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Discretionary bonuses on individual performance will be paid to employees as recognition of and reward for their contribution. Other benefits include contributions to retirement scheme and medical scheme.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with most of the transactions denominated and settled in RMB. However, foreign currencies, mainly United States Dollars, Euro and Hong Kong Dollars, are required to settle the Group's expenses and additions on plant and equipment. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. The Group has used forward contracts, foreign currency borrowings or other means to hedge its foreign currency exposure. The Group considers it has no material foreign exchange risk.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2018, Ms. He Lianfeng, an executive Director and her spouse totally have approximately 0.039% of interest in Zhejiang Yongli, the ultimate holding company of the Company. Mr. He Weifeng is also the deputy chairman of Zhejiang Yongli. Mr. Jiang Ning is vice general manager of Guizhou Yongan, the Company's immediate holding company, and a director of four other subsidiaries of Guizhou Yongan. Ms. Wang Ai Yu, a supervisor of the Company ("Supervisor"), is a manager of the finance department of Zhejiang Yongli. Zhejiang Yongli and Guizhou Yongan are associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) by virtue of being a holding company of the Company.

Save as disclosed above, as at 30 June 2018, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2018, so far as it is known to the Directors or chief executive or Supervisors of the Company, the interests and short positions of person in the shares or underlying shares of the Company, other than the interest of the Directors or Supervisors, which would fall to be disclosed under Divisions 2 and 3 or Part XV of the SFO or which were required, pursuant to section 336 of Part XV of the SFO, to be entered in the register referred to therein, or who is interested directly or indirectly in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company were as follows:

Long positions in the shares of the Company

Domestic shares of the Company ("Domestic Shares")

Name of shareholders	Capacity	Number of Domestic Shares held	Approximate percentage of interests in Domestic Shares	Approximate percentage of interests in total registered capital
Guizhou Yongan	Beneficial owner	588,000,000	100.00%	55.29%
Zhejiang Yongli	Interest in controlled corporation *(Note)*	588,000,000	100.00%	55.29%
Mr. Zhou Yongli	Interest in controlled corporation *(Note)*	588,000,000	100.00%	55.29%
Ms. Xia Wanmei	Interest of spouse *(Note)*	588,000,000	100.00%	55.29%

Notes:

Mr. Zhou Yongli and his spouse Ms. Xia Wanmei, own approximately 94.25% and approximately 3.49% in Zhejiang Yongli respectively. Zhejiang Yongli owns 65% in Guizhou Yongan. Mr. Zhou Yongli and Ms. Xia Wanmei are therefore deemed to be interested in the 588,000,000 domestic shares of the Company held by Guizhou Yongan, representing 55.29% of the total issued share capital of the Company.

H shares of RMB0.1 each of the Company ("H Shares")

Name of shareholder	Capacity	Number of H Shares held	Approximate percentage of interests in H Shares in issue at 30 June 2018	Approximate percentage of interests in total issued share capital 30 June 2018
Wing Hing Holdings (HK) Investment Limited	Beneficial owner	208,540,000	43.86%	19.61%

Saved as disclosed above, at 30 June 2018, so far as was known to the Directors, chief executives and Supervisors of the Company, no other person (other than the Directors, chief executives or Supervisors of the Company) has an interest or short position in the shares or underlying shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

COMPETING INTERESTS

None of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group under the period under review and up to date of this document.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules and code provision C3.3 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments to the Board. The Audit Committee has three members comprising the three Independent Non-Executive Directors, Mr. Song Ke, Mr. Wang Hui and Mr. Wang Zhong. Mr. Wang Hui is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited first quarterly results and interim results of the Group for the three months ended 31 March 2018 and the six months ended 30 June 2018 respectively and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure had been made.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2018, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code Provision") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors and supervisors of the Company, all directors and supervisors of the Company confirmed that they have complied with the required standard and the code of conduct regarding securities transactions by directors and supervisors adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiary purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2018.

By Order of the Board
Zhejiang Yongan Rongtong Holdings Co., Ltd.
Jiang Ning
Chairman

Zhejiang, the PRC, 14 August, 2018

As at the date of this document, the executive directors of the Company are Mr. Jiang Ning (Chairman),Mr. He Weifeng (Deputy Chairman), Ms. He Lianfeng (Chief Executive Officer) and Mr. Hu Hua Jun; the independent non-executive directors of the Company are Mr. Song Ke, Mr. Wang Hui and Mr. Wang Zhong.

This document will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at lease 7 days from the date of its publication and on the Company's website at http://www.zj-yongan.com.

* *For identification purpose only*